

OFFICE OF THE WASHINGTON STATE LIQUOR CONTROL BOARD

August 16, 1995

The regular meeting of the Washington State Liquor Control Board was called to order at 9:30 a.m., Wednesday, August 16, 1995, in the Board Conference Room, fifth floor, Capital Plaza Building, Olympia, by Chairman Joe McGavick. Board Members Mike Murphy and Jack Rabourn were present. Kim O'Neal, Assistant Attorney General, was also present. Sue Vanderburg was the recording secretary.

RULE MAKING ACTION. Chairman McGavick stated the Board will now consider taking action on the proposal to amend WAC 314-24-220 pertaining to removal of wine from bonded warehouses.

The Chairman explained that WAC 314-24-220 was adopted in 1984 to implement RCW 66.24.185. Subsequently, the Board received a petition from the Washington Wine Institute to amend the rule in order to allow wineries to remove and directly deliver the wine to retailers without having to go back to the winery first. He said the Board heard both supporting and opposing testimonies at a public hearing that was held on August 4, 1994 in Seattle. Board action on the proposal was deferred for one week at the August 9th Board meeting in order to provide an opportunity for the Washington Wine Institute and the Beer and Wine Wholesalers Association to confer and try to resolve their differences with regard to the proposal.

The Chairman further explained that Rich Raico, Supervisor, Manufacturers, Importers and Wholesalers, of the Board's Regulatory Services Division, has been in contact with both groups and called on Mr. Raico to provide a status report.

Mr. Raico said subsequent to the August 4th meeting, representatives of the Washington Wine Institute and the Beer and Wine Wholesalers met to see if they can resolve their differences. He said he contacted them yesterday and both groups have indicated to him that they were at an impasse. In view of that, Mr. Raico recommended the Board take additional testimony from both sides and make a decision in terms of adopting or rejecting the proposal. Assistant Attorney General Kim O'Neal indicated that rule making is a structured process and she's uncomfortable with the idea of the Board receiving additional testimony without prior notice to the public that it's reopening the issue for public testimony. She added that both groups have provided input before. Board Member Rabourn asked if

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**DEFENDANT'S  
EXHIBIT**

CASE  
NO. C04-0360P

EXHIBIT  
NO. 523



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the Board can ask questions of the involved parties. Ms. O'Neal said yes to that question. Board Member Murphy asked the group representatives if there is an impasse.

Peter Dow, representing Family Wine Makers of Washington State, indicated his organization has decided to go along with the proposal from the Beer and Wine Wholesalers and proceeded to elaborate on it. Chairman McGavick reminded Mr. Dow that the question was if an impasse was reached, and asked Mr. Simon Siegl, Washington Wine Institute, to respond to the question.

Mr. Siegl stated he met with Mr. Bill Schallert of the Beer and Wine Wholesalers Association and agreed on all the issues that were raised, and cited those issues. Therefore, Mr. Siegl said he thought they had an agreement, but additional items came up subsequently upon which they do not agree.

Mr. Phil Wayt of the Beer and Wine Wholesalers Association said they do not have an agreement.

Mr. Rabourn, referencing Mr. Siegl's testimony from a previous Board meeting which indicated this proposal effects half of the wineries in Washington, stated the Board checked out that information and found that only two wineries stock at the bonded warehouse at Tiger Mountain. Mr. Rabourn asked Mr. Siegl to comment on this apparent discrepancy.

Mr. Siegl indicated he obtained a list of wineries that currently stock at Tiger Mountain from its Warehouse Director. He said of those wineries, 36 are Washington bonded and according to an estimate, six of them produce less than 5,000 gallons a year and 12 of them produce less than 10,000 gallons a year. Mr. Siegl stated the definition of what's small seems to be at issue and asked if it is over 1,500 and under 10,000? Extensive discussion ensued regarding what constitutes a small winery. Mr. Raico offered clarification by stating that the Board's figures are based on what it defined as small. He explained that when the Board conducted a survey, it was looking at the smallest producing wineries and categorized those that produce less than 1,200 gallons as being small. Only two of the wineries, Worden and Griffin, that stock at Tiger Mountain fell in that category. Mr. Raico added that most of the people who testified at the August 4th hearing indicated they produce less than 2,000 gallons a year.

Board Member Murphy indicated this issue is getting far beyond what he thought was the original intent - to help

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the small wineries -- and he's not interested in putting the three-tier system in jeopardy based on allegations of what is currently happening.

Board Member Rabourn stated that he is disappointed that the parties cannot resolve their differences and, given the number of wineries that stock at Tiger Mountain, his inclination at this point is to leave the issue in its current state and use the additional storage site capability that's available. He added, for information purposes, that the Board cannot waive the \$100 fee for the additional winery license as it is legislatively dictated.

Chairman McGavick stated that it appears the Board consensus is to make no changes at this time. Board Member Rabourn moved to withdraw the proposal, Board Member Murphy seconded the motion and it carried unanimously.

The Chairman concluded the hearing scheduled for today, and announced that on next Wednesday, August 23, the Board will conduct another public hearing regarding limiting tobacco samples in Ellensburg.

APPROVAL OF MINUTES. Chairman McGavick called for approval of the Board meeting minutes for July 25, August 1, August 2 and August 4, 1995 which the Board Members had reviewed.

Board Member Murphy moved approval of the above referenced Board meeting minutes as written, Board Member Rabourn seconded the motion and it carried unanimously.

THE POSITION OF ASSISTANT DIRECTOR, PURCHASING & DISTRIBUTION. Carrie Roundy, Human Resources Director, recommended the appointment of Naomi R. Lieurance for the position of Assistant Director, Purchasing & Distribution Division, at a salary range 65, step E.

Board Member Rabourn moved approval of the recommendation, Board Member Murphy seconded the motion and it carried unanimously.

MERCHANDISING DIVISION - RELOCATION OF AGENCY 597, LANGLEY.

Mike Donaldson, Assistant Director, Division of Merchandising, recommended Board approval in allowing relocation of the Agency within Langley from 209 First Street to Langley Village, 221 Second Street, Unit 9A. The landlords of the current location would like to see the store relocated. The new location offers more parking space and almost twice the store space which would allow for additional displays and products.

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Board Member Murphy moved approval of the recommendation, Board Member Rabourn seconded the motion and it carried unanimously.

PURCHASING & DISTRIBUTION - REPLACEMENT OF SELF-DUMPING HOPPER. Gary Thompson, Acting Assistant Director, Division of Purchasing & Distribution, recommended the Board approve the request from the Distribution Center to replace the existing self-dumping hopper with a Rubbermaid self-dumping hopper for a total cost of \$1,261.15. He said the old hopper is 10 years old and is wearing out, becoming dangerous to operate.

In response to Mr. Murphy and Mr. McGavick's query, Mr. Thompson said because of the vacation schedules, he was not able to find out if competitive bids have been received or if other models have been considered, but the staff seem to prefer this particular model.

Board Member Rabourn moved approval of the recommendation, Board Member Murphy seconded the motion and it carried unanimously.

PURCHASING & DISTRIBUTION - WINDSOR CANADIAN & KESSLER BLENDED WHISKEY ON-PACKS. Gary Thompson, Acting Assistant Director, Purchasing & Distribution, recommended the Board approve the request from Jim Beam Brands to offer shot glass on-packs and authorize them to ship 300 cases of Windsor Canadian, 750 ml, "hockey skate" shot glass and 490 cases of Kessler Blend, 750 ml, "cowboy hat" shot glass. Mr. Thompson demonstrated samples of the shot glasses.

Board Member Rabourn moved approval of the recommendation, Board Member Murphy seconded the motion and it carried unanimously.

PURCHASING & DISTRIBUTION - YUKON JACK LIQUEUR. Gary Thompson, Acting Assistant Director, Purchasing & Distribution, recommended the Board approve the request from the supplier of Yukon Jack Liqueur to ship 350 cases of Yukon Jack Liqueur, 375 ml, with shot glass on-pack.

Board Member Murphy moved approval of the recommendation, Board Member Murphy seconded the motion and it carried unanimously.

PURCHASING & DISTRIBUTION - BOURBON HERITAGE SAMPLER PACK. Gary Thompson, Acting Assistant Director, Purchasing & Distribution, reported that recently the Board listed five bourbons in a 750 ml size from United Distillers Glenmore. They are now offering the Board a one-time-only sample

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pack containing five 50 ml bottles (one of each bourbon) which would sell for \$15. Mr. Thompson recommended the Board accept 75 cases of the product. The bourbons are I.W. Harper 15 Year, Old Charter Proprietors Reserve 13 Year, Very Special Old Fitzgerald 12 Year, WL Weller Centennial Bourbon 10 Year, and George Dickel Special Reserve 10 Year.

Board Member Rabourn moved approval of the request, Board Member Murphy seconded the motion and it carried unanimously. Board Member Murphy commented that the product seems a little expensive.

PURCHASING & DISTRIBUTION - DON PEDRO MEXICAN BRANDY AND TIA MARIA COFFEE LIQUEUR. Gary Thompson, Acting Assistant Director, Purchasing & Distribution, recommend the Board reject the request from Domecq Importers to list Don Pedro Mexican Brandy, 50 ml and Tia Maria Coffee Liqueur, 50 ml. He said neither product is new to the consumers and a recent purchase of Presidente Mexican Brandy from the same supplier has not sold well.

Board Member Rabourn moved approval of the recommendation, Board Member Murphy seconded the motion and it carried unanimously.

PURCHASING & DISTRIBUTION - POTENTIAL NEW LISTINGS/REJECTIONS. Gary Thompson, Acting Assistant Director, Purchasing & Distribution, presented recommendations in terms of listing/rejection/delisting actions and requested Board approval. He said the recommendations are based on presentations made by supplier representatives on July 19, input from listing committee, tasting reports and other factors.

Board Member Murphy moved approval of the recommendation, Board Member Rabourn seconded the motion and it carried unanimously.

#### OTHER BUSINESS.

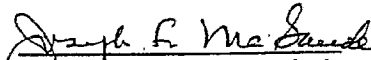
Chairman McGavick expressed his sincere apology for making what came across as flip comments at the last Board Meeting. He said it was not his intention to question the integrity, loyalty or the bravery of Enforcement Officers. The Chairman asked Mr. Rex Prout to convey his truly humble apology to the officers. Mr. Prout replied that he would do so and thanked the Chairman.

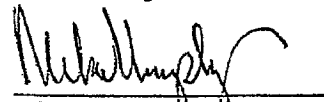
MEETING ADJOURNED. The meeting was adjourned at 10:02 a.m.

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Joseph L. McGavick  
Chairman

  
Mike Murphy  
Board Member

  
Jack Rabourn  
Board Member

Attest:

  
Dee Vanderby  
Board Secretary

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